



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

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November 18, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair
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Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

POTENTIAL IMPACT OF SENATE BILL 2 (BURTON) REGARDING EMPLOYER-BASED HEALTH COVERAGE

At your Board's September 16, 2003 meeting, the Department of Health Services (DHS) and my office were instructed to report back on the potential impact of Senate Bill 2 (SB 2) (Burton), Chapter 673, Statutes of 2003, which mandates employer-based health coverage. As indicated below, we believe that SB 2, once its provisions are fully implemented, has the potential of reducing the number of currently uninsured patients in the DHS system; however, the potential dollar impact of this reduction is presently difficult to estimate. Further, we have included a preliminary estimate of the potential impact of SB 2 on the County as an employer.

Background

Signed into law on October 5, 2003, SB 2 requires certain employers to provide health coverage to their employees, and dependents in some instances, or pay into a State fund that would organize coverage. Effective January 1, 2006, employers of 200 or more workers will be required to provide coverage to their employees and dependents, and by January 1, 2007 employers of 50 to 199 workers will be required to provide coverage to their employees only. Employers of 20 to 49 workers will be required to provide coverage for employees only, no sooner than January 1, 2007, and contingent upon enactment of a tax subsidy. Employers with 19 or less workers are exempt from the measure.

According to a recent analysis by the UCLA Center for Health Policy Research, SB 2 is estimated to cover 1.07 million workers and dependents Statewide when its provisions are fully implemented. Of this amount, 698,000 are workers and 372,000 are dependents. Based on these numbers, we estimate that when fully implemented SB 2

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has the potential to provide coverage to roughly 375,000 persons in the County. This estimate is based on the County's 35 percent share of uninsured workers as reflected in the 2001 California Health Interview Survey (CHIS).

Potential Impact on DHS Uninsured Patients

DHS indicates that 30 percent of uninsured adults among current DHS patients are employed full- or part-time, based on the recent DHS Patient Assessment Survey by the University of California at Los Angeles. Combining this information with data on DHS pediatric patients and CHIS estimates of employer size among the uninsured, DHS estimates that approximately 55,000 currently uninsured patients would be eligible for employer-based insurance when SB 2 is fully implemented.

However, DHS indicates further that it is difficult at this early stage to estimate the potential financial impact of changes from SB 2. This is, in part, due to the presently unknown effect of several factors, such as the type of reimbursement which would be available from the health coverage ultimately provided by SB 2 (i.e., fee-for-service vs. capitation via managed care plans), employer reaction to mandated health care expenditures (e.g., whether they retain their current employee base), and whether newly insured patients will continue to choose to obtain their care at DHS facilities or transfer to private providers.

Potential Impact on the County as Employer

Based on information currently available, SB 2 would likely require the County to provide health insurance to approximately 1000 part-time employees who are not currently covered by County-offered plans. Based on the current County workforce and current health insurance costs, we estimate that this would cost the County approximately \$3.8 million.

If you have any questions or need additional information, please contact me or your staff may contact Jonathan Freedman of my staff at (213) 974-1643 or John Wallace, DHS staff, at (213) 240-8059.

DEJ:DIL
SAS:bjs

c: Executive Officer, Board of Supervisors
County Counsel
Director, Department of Health Services
Chairman, Small Business Commission